



The Virginia Board of Accountancy



Biennial Report
Fiscal Years
2002-2004

TABLE OF CONTENTS

LETTER FROM THE CHAIRMAN	1
MEMBERS OF THE VIRGINIA BOARD OF ACCOUNTANCY	2
MISSION AND VISION	3
CPA EXAMINATION CANDIDATE PERFORMANCE	4-6
APPLICATIONS PROCESSED FOR FISCAL YEARS 2003-2004	7
LICENSES & FIRM REGISTRATIONS ISSUED	8
ENFORCEMENT REPORTS	9-10
CPE AUDIT REPORT	11
FINANCIAL IMPACT STATEMENT	12
CUSTOMER SERVICE SURVEY	13
BOARD OF ACCOUNTANCY AUTHORITY	14-15

November 1, 2004

The Honorable Mark R. Warner
Governor, Commonwealth of Virginia
and Members of the General Assembly

Dear Governor Warner and Members of the General Assembly:

The Virginia Board of Accountancy (Board) is pleased to submit its report for the period July 1, 2002 through June 30, 2004. The report provides a description of the Board's regulatory activities, important financial data, and an overview of enforcement actions.

Since the last biennium the Board has made several exciting and innovative changes. One major step the Board has taken is the availability of interactive, online applications. This is a tremendous accomplishment for the Board because we are the only Board of Accountancy in the country with this convenience for applicants.

Another addition to our website is the customer service survey. This has been a very successful tool; it provides the Board with comments and suggestions from the regulants on how the Board can provide superior customer service.

The Board will continue to work diligently on making innovative changes, working towards a paperless, E-Government agency. On behalf of the Board, we thank you for the opportunity to serve you and the citizens of the Commonwealth.

Sincerely,

Harry D. Dickinson, Ph.D., CPA
Chairman

Members of the Virginia Board of Accountancy

The Board consists of seven members, one public member who may be an accountant who does not hold a CPA certificate, one educator in the field of accounting, and five certified public accountants. The Governor appoints each member to a term of four years.

Harry D. Dickinson, Ph.D., CPA
Chairman
First four year term ends June 30, 2005
(Licensed CPA)

Stephen D. Holton, CPA
First four year term ends June 30, 2007
(Licensed CPA)

Regina P. Brayboy
First four year term ends June 30, 2008
(Citizen Member)

Lawrence D. Samuel, CPA
First four year term ends June 30 2008
(Licensed CPA)

Jane M. Little, CPA
Vice Chairman
First four year term ends June 30, 2006
(Licensed CPA)

O. Whitfield Broome, Ph.D., CPA
First four year term ends June 30, 2007
(Educator Member & Licensed CPA)

Dian T. Calderone, MTX, CPA
First four year term ends June 30, 2008
(Licensed CPA)

Board members are given a per diem for most Board business and reimbursed for certain expenses when performing official duties of the Board.

MISSION STATEMENT

“The mission of the Virginia Board of Accountancy is to protect and serve the citizens of the Commonwealth by administering and implementing the laws and regulations for their health, safety, and welfare.”

VISION STATEMENT

The vision of the Virginia Board of Accountancy is to serve the citizens of the Commonwealth in a professional manner, in which the most equitable, efficient and economical means available are used to limit entry barriers to the workplace. The Board also serves to deny entry to individuals who are not qualified to practice public accounting and to discipline those who do not follow acceptable, ethical or professional standards.



CPA EXAM ADMINISTRATION

One of the most important Board responsibilities is administering the CPA exam. As can be seen from the ensuing tables, the Board, with the assistance of CPA Exam Services (a division of the National Association of State Boards of Accountancy), administers the CPA exam to roughly 2,000 candidates in May and November of each year.

CPA EXAM CANDIDATE PERFORMANCE

NOVEMBER 2002 CPA EXAM

CANDIDATES EXAMINED FOR	NUMBER SITTING FOR EXAM	NUMBER PASSING EXAM	PERCENT PASSING EXAM
AUD	2,156	557	26%
LPR	2,129	567	27%
FARE	2,330	558	24%
ARE	2,278	613	27%

*First Time Candidates – 1,124

*Re-Exam Candidates - 1,427

*Total Candidates taking Exam – 2,551

CPA EXAM CANDIDATE PERFORMANCE

MAY 2003 CPA EXAM

SECTIONS SCHEDULED FOR EXAM	NUMBER SITTING FOR EXAM	NUMBER PASSING EXAM	PERCENT PASSING EXAM
AUD	1,807	488	27%
LPR	1,776	489	28%
FARE	1,984	483	24%
ARE	1,884	517	27%

*First Time Candidates – 742

*Re-Exam Candidates - 1,495

*Total Candidates taking Exam – 2,237

CPA EXAM CANDIDATE PERFORMANCE

NOVEMBER 2003 CPA EXAM

SECTIONS SCHEDULED FOR EXAM	NUMBER SITTING FOR EXAM	NUMBER PASSING EXAM	PERCENT PASSING EXAM
AUD	2,323	623	27%
LPR	2,300	604	26%
FARE	2,505	619	25%
ARE	2,378	569	24%

*First Time Candidates – 1,098

*Re-Exam Candidates - 1,652

*Total Candidates taking Exam – 2,750

All CPA exams for November 2002-November 2003, were given at four locations around the state.

Richmond – Arthur Ashe Jr. Athletic Center, 3001 N. Blvd. Richmond, VA 23230

Norfolk - Norfolk Scope Plaza, Brambleton Avenue, Norfolk, VA 23501

Northern Virginia – Capital Expo Center / N Hall, 4368 Chantilly Shopping Center, Chantilly, VA 22030

Roanoke - Roanoke Civic Center, 710 Williamson Road NE, Roanoke, VA 24016

AUD = Auditing and Attestation

LPR = Law and Professional Responsibilities

FARE = Financial Accounting and Reporting

ARE = Accounting and Reporting-Managerial, Taxation, and Not-for-Profit and Governmental Accounting.

COMPUTER-BASED CPA EXAM

In April 2004, the Virginia Board of Accountancy, CPAES, NASBA, and Prometric together launched the first computer-based CPA exam. The Virginia Board of Accountancy was very proud to be a part of this historical event. While plans are still in the process of being implemented to shape the future of the CBT, BOA is very excited about the continued success of the CBT.

CPA EXAM CANDIDATE PERFORMANCE

April & May 2004 CPA EXAM

SECTIONS SCHEDULED FOR EXAM	NUMBER SITTING FOR EXAM	NUMBER PASSING EXAM	PERCENT PASSING EXAM
AUD	313	136	43%
LPR	236	92	39%
FARE	301	125	42%
ARE	293	133	45%

*First Time Candidates – 561

*Re-Exam Candidates - 1,113

*Total Candidates taking Exam – 1,679

PROCESSING APPLICATION FOR CPA CERTIFICATES AND FIRM REGISTRATIONS

A major activity of the Board is processing initial and renewal applications for a CPA certificate and firm registration. With respect to initial applications, accurately determining whether the applicant for a CPA Certificate meets the education, examination and experience requirements in strict accordance with the Code of Virginia and the Board's regulations is absolutely essential in order to protect the public. Likewise, accurately determining whether a CPA firm meets the peer review and other requirements for a firm license is also essential for the public's protection. The table below shows the initial applications processed during the year.

TOTALS FOR FISCAL YEARS 2003-2004

	Original	Endorsement	Firm	Reinstatement		Firm
				Mail	Website	Reinstatement
FY 2003	758	162	215	270	0	0
FY 2004	1,084	234	207	393	119	4

In July 2004 the Board of Accountancy implemented interactive, online applications, this explains the "Website" column above. The reinstatement application was used as the "test application" and as shown above was very successful. At this time the VA BOA has made all applications interactive and available online.

CPA LICENSE HOLDERS AND FIRM REGISTRATIONS MONTHLY TOTALS

DATE	INDIVIDUALS	FIRMS
JULY 2002 2003	16,649 16,456	1,186 1,331
AUGUST 2002 2003	16,699 16,433	1,200 1,347
SEPTEMBER 2002 2003	16,693 16,414	1,224 1,353
OCTOBER 2002 2003	16,711 16,441	1,244 1,373
NOVEMBER 2002 2003	16,676 16,428	1,264 1,382
DECEMBER 2002 2003	16,741 16,395	1,282 1,394
JANUARY 2003 2004	16,626 16,482	1,245 1,406
FEBRUARY 2003 2004	16,525 16,534	1,246 1,413
MARCH 2003 2004	16,484 16,618	1,252 1,429
APRIL 2003 2004	16,476 16,668	1,253 1,433
MAY 2003 2004	16,466 16,746	1,256 1,453
JUNE 2003 2004	16,466 16,832	1,310 1,476

A major activity of the Board is processing initial and renewal applications for a CPA certificate and firm registration. Determining whether CPA Certificate and Registration Certificate holders meet the requirements (e.g., Continuing Professional Education, Peer Review) for continued licensure is essential for the public's protection. The following table shows the total number of CPA Certificate and Firm Registration holders during the fiscal year ended June 30, 2004.

COMPLAINTS PROCESSED FOR JULY 2002- JUNE 2004

DATE	PENDING	NEW	CLOSED	TOTAL OPEN
JULY 2002	11	2	0	13
2003	12	9	5	16
AUGUST 2002	13	3	2	14
2003	16	12	8	20
SEPTEMBER 2002	14	2	2	14
2003	20	4	1	23
OCTOBER 2002	14	6	0	20
2003	23	6	8	21
NOVEMBER 2002	20	12	3	29
2003	21	2	1	22
DECEMBER 2002	29	5	16	18
2003	22	0	7	15
JANUARY 2003	18	15	10	23
2004	15	6	3	18
FEBRUARY 2003	23	10	11	22
2004	18	2	0	20
MARCH 2003	22	9	6	25
2004	20	4	11	13
APRIL 2003	25	14	14	25
2004	13	3	3	13
MAY 2003	25	9	15	19
2004	13	1	1	13
JUNE 2003	19	6	13	12
2004	13	8	0	21

The Board's two-member Enforcement Committee reviews information compiled by the investigative staff and determines whether violations of the statutes and regulations governing the practice by Certified Public Accountants (CPA) and CPA firms have or have not been committed. The Committee recommends appropriate action to the full Board for final disposition. The official complaint form with filing instructions is provided on the Board's website at www.boa.virginia.gov to make it convenient for Virginia citizens. The Enforcement committee strives to enhance the efficiency and effectiveness of complaint resolution through the use of consent agreements, and by adopting mediation as a method of dispute resolution in certain cases.

ENFORCEMENT ACTIVITIES

No activity of the Board is more important than its enforcement activity. Due to the substantial consequences to both the regulant and the public, the Board and its staff spend considerable time on this activity. During the past biennial, the Board dealt with a large number of cases, some involving very complex issues.

NATURE OF COMPLAINT	TOTAL FOR BIENNIUM
Advertising	2
Embezzlement	0
Due Professional Care (Negligence)	8
Falsify Application	0
Fee Dispute	5
Licensing Eligibility	18
Unlicensed Practice	17
Tax Deficiency	17
Unprofessional Conduct	5
Violations of Standards of Practice	9
Conflict of Interest	1
Insider Trading	1
CPE Deficiency	14
Reinstatement License Agreement	54
Public Interest	1

**CONTINUING PROFESSIONAL EDUCATION
AUDIT REPORT FOR JULY 2002- JUNE 2004**

SELECTION MONTH	TOTAL SELECTED	INITIAL COMPLIANCE	NUMBER SIGNED CONSENT ORDERS	NUMBER PENDING 6 MONTH COMPLIANCE	TOTAL CLOSED*
JULY 2002	32	31	0	1	0
2003	29	28	0	1	0
AUGUST 2002	27	25	1	2	0
2003	31	28	0	3	1
SEPTEMBER 2002	27	22	0	4	0
2003	32	32	0	0	0
OCTOBER 2002	32	32	0	0	0
2003	30	26	0	4	0
NOVEMBER 2002	32	32	0	0	0
2003	31	26	0	5	0
DECEMBER 2002	32	31	1	0	0
2003	32	28	0	4	2
JANUARY 2003	32	29	1	0	2
2004	30	29	0	1	0
FEBRUARY 2003	36	33	2	1	0
2004	38	37	1	0	0
MARCH 2003	45	38	2	5	0
2004	50	47	0	3	0
APRIL 2003	33	32	1	0	0
2004	36	34	0	2	0
MAY 2003	36	31	0	5	0
2004	37	28	0	9	0
JUNE 2003	30	27	0	3	0
2004	34	28	0	6	0

Each month a random audit is conducted from a sample of CPAs whose licenses expire 6 months hence. Further, the Board instituted new disciplinary procedures to address the issue of deficient licensees. The Board, in an effort to meet the changing needs of the regulants and to increase competence, broadened the types of continuing education credits that are acceptable. For example, CEU or CE, CLE, QAS, or Semester/Quarter Hour Credits are accepted as long as they maintain or increase the professional competence of the CPA. The new disciplinary procedures are to assure the regulants and the public of quick action if CPAs are non-compliant. Such initiatives meet the Governor’s priorities, which include: (i) the enhancement of the performance of CPAs; (ii) the strengthening of the disciplinary process for CPAs who fail to comply with CPE requirements; and (iii) the maintenance of a highly competent and ethical accounting profession, which would raise public confidence in the profession.

BOARD OF ACCOUNTANCY FINANCIAL IMPACT STATEMENT

Board of Accountancy	FY02	FY03	FY04	FY05	FY06
Appropriation	\$586,000	\$628,514	\$559,630	\$586,000	\$586,000
Revenues	\$480,214	\$533,818	\$654,762	\$660,000	\$675,000
Expenditures	\$487,531	\$388,180	\$555,000	\$580,000	\$585,000
Cash Balance	\$626,880	\$815,121	\$914,883*	\$994,883*	\$1,084,883*

Board of Accountancy	FY02	FY03	FY04	FY05	FY06
Licensed CPAs	16,055	16,466	16,832	16,952	17,250
Registered CPA Firms	1,238	1,310	1,476	1,725	1,925

*From time to time varying amounts of the cash balance will be transferred to the BOA Trust Account (established 7-1-04).

NOTE: Significant expenditures are projected for FY04, FY05 and FY06 to cover anticipated Additional staffing needs, move to larger quarters and additional IT equipment purchase/ maintenance. BOA is a special fund agency supported by fees from CPAs and CPA firms licensed in Virginia. BOA does not receive any general funds.

CUSTOMER SERVICE SURVEY

BOARD OF ACCOUNTANCY

BOA

Help Virginia's Board of Accountancy to better serve You.

Please take a few moments to complete this Customer Service Survey. Recently, you received customer service from the Board; we are interested in your feedback. Please check only one in each row and, if necessary, add any comments. Forward this survey by to the Board office by clicking the Submit Survey button below.

Category	Excellent	Above Average	Met Needs	Below Average	Failed to Meet Needs
On-Line Renewal Process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complaints Against Regulants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Licensing Process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication with BOA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="button" value="Submit Survey"/>					

This Customer Service Survey was made available online October 15, 2003. This has been a very successful tool; it provides the Board with comments and suggestions from the regulants on how the Board can provide superior customer service.

During this period we have surveyed approximately 15,438 regulants and we have received 4,980 responses.

The Board of Accountancy

Authority

Code of Virginia 54.1-4400 through 4422

The Virginia Board of Accountancy (Board) was created in 1910 and the 2001 General Assembly enacted law to establish the Board as a supervisory board and separate agency of state government effective on July 1, 2001. The Board has a dynamic three-year history

A considerable amount of effort by the seven Board members and staff was expended on the many tasks of transitioning the Board during the months prior to July 1, 2001. The Board has met monthly to discuss and decide on various issues centered around the regulation of Certified Public Accountants (CPA) and CPA firms. The Board's Executive Director, Nancy Taylor Feldman is responsible for the daily operations of the Board. She is directly responsible to the Board and to ensure the Governor's initiatives are implemented. On June 1, 2004, the Board staff moved its new offices in Suite 378 at 3600 West Broad Street in Richmond.

Under the leadership of Carole Mulzer Hersch, CPA and Barbara S. Pocalyko CPA, the Accountancy team has continued its aggressive effort to enhance its IT system to include the first online interactive application process, with payment by credit card, in the Commonwealth. An online survey is sent to all online customers and the responses indicate that the Board has a rating of excellent from 80% of its customers. 93% of Virginia's Certified Public Accountants (CPA) and CPA firms continue to choose to renew online which means a significant savings in processing costs during the biennium.

The Board staff, Mary Charity, Mark D'Amato and Jean Grant, Darrin Adams and Gwen Corprew have been instrumental in the success of highly efficient daily operations. The new approach to Continuing Professional Education (CPE) compliance implemented in 2001 has proven successful, as compliance rates have increased more than 50%. The Board adopted a policy requiring strict compliance with the requirements for CPE. The members agreed that failure to complete the required CPE by the prescribed deadlines would result in tough penalties for licensees. The investigation and adjudication of complaints process was redesigned in 2001. "Investigations of complaints," the members said, "will include detailed written responses from the licensees specifically addressing all allegations." Three Board members, Harry D. Dickinson, CPA, Barbara S. Pocalyko, CPA, and Jane M. Little, CPA have served on the Board's Enforcement Committee. They are responsible for review of complaint investigations and for recommending appropriate disciplinary action to the Board.

On June 30, 2004, Ellis M. Dunkum, CPA, and Howard Rogers completed two four year terms on the Board, and Barbara S. Pocalyko, CPA completed a four-year term on the Board. In 2003, Carole Mulzer Hersch, CPA completed two four year terms on the board and Barbara S. Pocalyko, CPA was elected Board Chairman and Harry Dickinson, Ph.D., CPA, was elected Vice Chairman. In 2004, Harry Dickinson, Ph.D., CPA, was elected Chairman and Jane M. Little, CPA was elected Vice Chairman. New Board members were appointed by Governor Mark Warner. O. Whitfield Broome, Ph.D. CPA and Stephen D. Holton, CPA were appointed July 1, 2003 and Regina P. Brayboy, MPA, Dian T. Calderone, MTX, CPA and Lawrence D. Samuel, CPA were appointed on July 1, 2004. Richard B. Zorn, Senior Assistant Attorney General provided legal counsel to the Board in 2003 and Howard T. Macrae, Assistant Attorney General assumed the role in 2004.

The Board has devoted much of its time to the development of the computerization of the Uniform CPA examination. Candidates began taking the new computerized exam, administered in every state, in April 2004. During this biennium, the accounting profession has regained its momentum following close public scrutiny in 2001, amid allegations of serious standards of practice violations by some CPA firms outside the Commonwealth. The Board has been, and continues to be, extremely concerned about the erosion of the public's confidence in the profession. In 2003, a new statute was enacted requiring two hours of Ethics CPE for all practicing CPAs. During 2003 and 2004, the Board worked diligently in the area of regulatory review to ensure that its standards are at the highest level necessary to adequately protect Virginia's citizens. These efforts will continue under the leadership of Dr. Dickinson during FY2005.